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DATE: 16 December 1957

MEMORANDUM FOR: Deputy Director/Intelligence

THROUGH: Assistant Director, Research and Reports

SUBJECT: Highlights of U.S./Polish Talks (5th to 9th Meetings,
November-December 1957), 27 Nov thru 12 Dec

1. During the last several meetings, the Polish delegation presented its requests for extension of Most Favored Nation treatment by the U.S. to Poland, for further liberalization of U.S. export controls as applied to Poland, and for U.S. credits to finance imports of machinery and equipment over the next few years.

2. To support its request for Most Favored Nation treatment, the Polish delegation stressed the difficulty of repaying past or possible future U.S. credits so long as the present high tariffs apply to many Polish exports.

3. Liberalization of U.S. export controls would, according to the Poles, eliminate one of the vestiges of the "previous dark period in our relations", and would tend to increase the efficiency of U.S. aid to Poland. Given Poland's consumer-oriented economic policy, moreover, Battle Act restrictions would not apply.

4. The Polish delegation understood that the request for investment credits involved numerous economic and political problems which would take considerable time to solve. As a first step, Poland would like to know the "general attitude of the U.S. government as to the creation of conditions enabling it to grant Poland investment credits". It was asserted that such credits would be important not only for Poland, where they would facilitate the raising of living standards and the development of a much more liberal "New Economic Model", but in other Socialist countries which might be affected by the success or failure of the Polish experiment. The Polish delegation also stated that "several other centrally planned economies" are "intensely interested" in the results of these negotiations.

5. Specifically, the requested investment credit is valued by the Poles at about \$120 million. It consists primarily of machinery and equipment, and in some cases "know-how" directly used in the production

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of consumer goods and materials for housing, (machinery for textiles, leather, food processing, glass, paper, processing of wood and wood waste, pharmaceuticals, plastics, detergents, synthetic fibers, television sets and tubes, handicraft production). The list also includes machinery for the production of materials used partly in consumer goods industries (rolling equipment for thin sheets), transformers to support electrification and thereby save coal, equipment for improving the quality of alloy steel, and used passenger aircraft.

6. Arguments supporting the Polish aid request for each item in the list were based primarily on the gains in production of consumer goods and housing which would result from this aid, and on the effect of the aid in improving Poland's balance of payments position. In general, it was asserted that many consumer goods industries were approaching full capacity production and that the overall limitations on the amount of domestic investments, the serious foreign exchange shortage, and the attempt to solve many basic economic problems simultaneously made it impossible to undertake, from domestic resources alone, investments in consumer goods industries sufficient to correct the existing "disproportions" in the economy. The requested U.S. credit would, it was claimed, raise the National Income by many times the value of the credit, and many parts of the credit would pay for themselves over a very short period of time.

7. The Polish delegation indicated that it had completed its list of requests for U.S. aid, but that Poland is negotiating with France for coal mining machinery credits.

8. The U.S. delegation has not given its reaction to the Polish requests. Final recommendations will probably await higher level discussions on political issues.

9. The details of the meetings summarized above and the answers of the Polish delegation to questions concerning various aspects of the Polish economy will be circulated shortly.

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European Satellites Branch
Analysis Division

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